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THE QUARTERLY REVIEW OF COMMERCE



Editorial

Our Neighbours and Ourselves *Fred Landon*

Some Comparisons of Retail Trade in Canada
and United States *A. M. Chipman*

Canada's Position in Post-War World Trade *Louis O. Breithaupt*

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Should Organized Labour in Canada Co-operate
Closely With Organized Labour in the
United States *Idele Wilson*

Volume XI

No. 2

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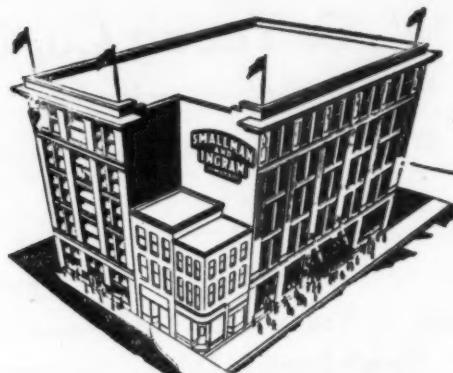
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Editorial

There is more interest in Canadian-United States relations at the present time than in any period in the past unless it was when there was war or danger of war between the two countries.

Evidence of the new attitude is brought forward by Professor Richard W. VanAlstyne of Chico State College, Chico, California, in an article "A New Viewpoint in the Relations of Canada and the United States" in the Canadian Historical Review, June, 1944.

In this paper Professor VanAlstyne emphasizes four distinct trends in Canadian-United States relations, the last "A period in which the underlying concept is one of knowledge and collaboration in place of separateness and independence." He suggests that "The signal for the inauguration of this phase was the open recognition by the President of the United States, in 1938, of the American responsibility for safeguarding the integrity of the Dominion." In speaking of more recent developments he says, "And to the numerous wartime measures of a general nature which proceed to implement this statement of policy may be added certain tentative steps leading from the Hyde Park declaration of 1941 which pointed towards a long-range peacetime system of material aid and pooling of natural resources."

In view of the current interest in Canadian-United States relations, this number of the Quarterly Review of Commerce is being devoted entirely to this subject.

J.H.C.

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OUR NEIGHBOURS AND OURSELVES

FRED LANDON

Librarian, University of Western Ontario

WHEN Adam Fergusson, an Old Country visitor, was at Kingston in 1831 his Yankee guide asked him if he thought that another war between England and the United States was likely to occur. Fergusson thought such a tragedy unlikely, to which the guide replied: "Well, sir, I guess, if we don't fight for a year or two, we won't fight at all, for we are marrying so fast, sir, that a man won't be sure but he may shoot his father or his brother-in-law."

The incident illustrates one of the many factors that have entered into the relations of the peoples of these neighbouring countries and have made time and place so important in any discussion of the subject, for little more than a decade and a half before Fergusson's visit to Upper Canada the province had been fighting for its very existence against invading forces from the United States, though in that same period the people living in Nova Scotia and New Brunswick went on calmly trading with their New England neighbours. We are even told that the wartime customs collections at the port of Castine became the foundation for Dalhousie University at Halifax while New Brunswick and the neighbouring state of Maine, neither wanting war, arrived at

what was virtually a peace pact at the very time when Americans were on the soil of Upper Canada.

The countries which we call Canada and the United States had their beginnings at the same time. In the year 1607 English adventurers established a little settlement at Jamestown in what is now Virginia. A year later the French founded Quebec. English and French colonization ran side by side for one hundred and fifty years, at the end of which time French sovereignty on this continent ceased and those French who remained in America became subjects of England. Little more than a decade later the original English colonies rose in revolt and ultimately secured their independence. Those subjects who were opposed to revolution and independence migrated in part to Nova Scotia and Quebec, and their coming produced two new English provinces, New Brunswick and Upper Canada. British Canada of the earlier days was, therefore, in part a by-product of the American Revolution.

Eighty years later the United States faced its greatest crisis when, following the election of Lincoln, eleven slave states seceded and a bloody four years of civil war ensued. The British provinces to the north, separated politically and economically, found themselves living on the edge of this greatest war of the nineteenth century. Fears of its outcome, whether that were an acknowledged Confederacy or a triumphant North, sent Canadian provincial leaders into hasty conference on the possibilities of union. In the fall of 1864, while Grant's armies were approaching Richmond and Sherman was marching through Georgia, representatives of the provinces met at Quebec and there adopted the resolutions out of which came the British North America Act. The new British Canada which emerged from that conference, the Dominion of Canada, was in many respects a by-product of the American Civil War.

Canadian-American relations have long been a popular subject for discussion. A generation ago, at any meeting of representatives of the two countries, we could count on hearing post-prandial oratory on the subject of the unguarded frontier, scarcely disturbed save by Fenian raids in more than a century. But when the centenary of the Treaty of Ghent had come and gone the topic became stale and was more likely to produce yawns than applause. At a later stage after-dinner orators informed Canadians that it was their role to be interpreters of the British and American peoples, one to the other, though what it was that was to be interpreted and how this interpretation was to be carried on was never made any too clear. The unguarded frontier has

gone by the board as a subject for discussion. As for the interpretation that was to be our job, that is being done in quite another way by the hundreds of thousands of Americans of all ranks and classes who are at present in England or in any one of the areas where the armies of the two nations are fighting side by side.

A decade ago, Dr. James T. Shotwell, Canadian-born professor in Columbia University, suggested to the Carnegie Endowment for International Peace that an inquiry into the past relations of these two neighbouring countries might furnish a basis for better understanding in the future and might even influence other countries. Scholars on both sides of the boundary were set to the investigation of political, economic and social influences, and the interplay of these influences as recorded in history. The outcome was a series of studies such as had probably never before been made for two neighbouring peoples. It was expected that these studies would provide a definite picture of the Canadian-American scene and perhaps reveal some pattern running through the record. The preliminary studies were for the most part completed before the present war but the synthesis is still to come. It would be rash to speculate on the effect which the unwritten chapter, covering the years since 1939, may have upon the future of the two peoples.

The Shotwell studies showed, however, that to think of the connections of these two countries in terms merely of state policies was to present but a part of the picture. The relations of the two countries involved much more than the activities of organized governments. Account had to be taken of the movements of people across boundary lines and, probably more important, of the movement of ideas across boundary lines. The earlier history of the present province of Ontario furnishes an excellent example of this movement of ideas. The large American migration prior to the War of 1812 and the later migration after 1820 brought into Upper Canada among other things a variety of religious beliefs and organizations, a concept of popular education and forms of local government. It was American Methodism, not British Methodism, which provided the country with itinerant missionaries in a day when distance and the scattered nature of the population made settled parish work ineffective save for a small proportion of the people. From the United States was drawn the thoroughly democratic principle that every child was entitled to the educational privileges provided by the state. This was far removed from Governor Simcoe's dictum that "such education as may be necessary for people in the lower

degrees of life, necessarily requiring but little expense, may at present be provided for by their connections and relations".

The movement of ideas which began when the first American settlers came into Upper Canada or Nova Scotia has been a continuous process and never with greater effect than in our own times. The freedom of intercourse between the two countries has had no parallel elsewhere in the world. Uniform gauge on railways may seem a minor point of agreement between Canada and the United States but the absence of this feature still keeps the states of Australia separated and hampers commercial intercourse. Professor Shotwell was of the opinion that the movement of the Danubian countries after the last war towards an agreed uniform railway gauge was one of the most hopeful signs of a spirit of co-operation and mutual trust. Unfortunately the idea did not spread in Europe.

It used to be said, and it is probably still true today, that the only country which can harm Canada economically is the United States. It must be admitted that our experiences with American tariff legislation have not been happy. From the days of the McKinley tariff, and even earlier, business in Canada has had to keep a careful eye on the changes in American rates and regulations and such revision has on more than one occasion produced changes in Canadian policy. American tariff revision has even brought about a change in Canadian party government. The famous Payne-Aldrich tariff of 1909 was the prelude to the reciprocity agreement of 1911 which resulted in the defeat of the Laurier administration in the federal election of that year. The Underwood tariff of 1913, more favourable to Canada, was followed in succeeding years by the Fordney-McCumber legislation of 1922, which more than restored the high rates of the Payne-Aldrich bill, and by the Hawley-Smoot tariff which brought immediate retaliatory legislation from Ottawa. President Hoover signed this latter bill over the protesting petition of one thousand American economists.

Canadians should long since have disproved the idea that because they do things in an American way or enter into closer economic relations with their neighbour they are thereby moving in the direction of absorption. It is not only natural but perfectly logical that a North American pattern should be found in Canadian activities and nothing could be more foolish than to attempt a graft of an unsuited pattern drawn from elsewhere. The history of Canada reveals clearly that the only effective influence leading in the direction of absorption has been

economic distress. Prosperity has always been an antidote to annexationist notions. But why talk of annexation. It has been a dead issue for fifty years.

Our relations with the United States must inevitably grow more intimate decade by decade. Who can measure at this time the economic effects of American expenditure in Canada during the war period upon such enterprises as the Alaska Highway and the development of far northern oil fields? What is the measure of the spiritual tie created by union for a common aim in this war? The effects are bound to be profound. Yet the Canadian sense of nationality, with its accompanying pride of achievement, has not been lessened but increased.

SOME COMPARISONS OF RETAIL TRADE IN CANADA AND THE UNITED STATES

*A. M. CHIPMAN, M.B.A.
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RETAIL trade has long been characterized by the presence of many small, local and individual retail enterprises. Although expansion of the department, mail order and chain systems of distribution during the past several decades has diminished the relative importance of independent stores, this smaller type of retail establishment still predominates. The retail field is also notable for the innumerable and continuing changes in the identity of individual stores. Retirements from and entrances to the trade, changes in location, and transfers from one kind of business to another are merely reflections of the highly individualistic nature of retail enterprises.

As a result of this, evaluations of trends in retail sales have of necessity been based on various types of sample surveys. The structure of retail trade in its different aspects remained outside the scope of such periodic surveys and it was only with the initiation of a complete census of merchandising establishments that comprehensive information became available on this last stage in the distribution of consumer goods.

Canada's first complete census of retailing establishments covering operations during the calendar year 1930 formed part of the decennial census of population taken in the following year. The results of the census of retail establishments were subsequently published in Volume X of the census reports for 1931. The second complete census of retail trade was taken for 1941, the final compilations of which are soon to appear in published form. Both volumes contain basic information of great value to students of the country's system of distribution and to those interested primarily in the marketing of consumer goods. Similar census surveys of retail trade have been taken in the United States, the first for the calendar year 1929, followed by others for 1933, 1935 and 1939.

Fortunately, classifications and methods of compiling the census data obtained in the two countries were sufficiently alike to enable the structure of retail trade in Canada and the United States to be studied. Such a paper, comparing the salient features of retailing in the United States in 1929 with those in Canada in 1930, was prepared by Mr. A. S. Whiteley and appeared in the February, 1936, issue of *The Journal of Political Economy* published by the University of Chicago Press. The present article endeavours to compare certain aspects of the trade in Canada in 1941 with those revealed by the census of retail distribution in the United States for 1939. Statistical material dealing with trade in the United States was obtained from "Retail Trade: 1939, Part I" which formed part of the series of the Census of Business volumes for 1940. Census data on retail trade in Canada were secured principally from a bulletin entitled "Retail Merchandise Trade in Canada, calendar year 1941". Compilation of these statistics for Canada for 1941 was under the direction of Mr. A. C. Steedman, Chief of the Merchandising and Services Branch of the Dominion Bureau of Statistics to whom the writer is indebted for helpful suggestions.

Statistics on retail trade in the United States in 1939, of course, portray a situation unaffected by the impact of war while corresponding figures on Canadian trade reflect in part the expanded purchasing power which characterized the second full year of hostilities. Indeed, retail sales in Canada in 1941 were about 33 per cent. above the estimate of retail trade for 1939. While certain shortages of materials had begun to be apparent in Canada in its census year accompanied probably by increased turnover of employment in retailing, it is still likely that trade in 1941 remained relatively free from distortions caused by supply and manpower shortages. Nevertheless the disparity between retail trade in 1939 and 1941 were sufficient to create a number of difficulties in certain comparisons. Statistics based on the Bureau's estimates of total retail sales in Canada in 1939 were therefore included in the tables whenever it was possible to do so. Such estimates were prepared from reports of annual sales received by the Dominion Bureau of Statistics from a large sample group of Canadian stores.

The great differences in the extent of retail trade in Canada and the United States are sharply revealed in the figures obtained from each country's census of merchandising establishments. In Canada, 137,331 stores made sales of \$3,440,901,700 in 1941 to a total population of 11,506,655 persons. In the United States in 1939, a year of lower economic activity, 1,770,355 outlets made sales of \$42,041,790,000 to

that nation's population of 131,669,275 persons. In spite of these inequalities, however, a number of close comparisons can be found when the figures are placed on a proportionate basis. Such similarities not only indicate the close alignment in the economies of the two countries but likewise reflect the tendencies toward uniformity in buying habits which are the result of travel, the circulation of trade papers, the activities of American concerns marketing their products in Canada, and resemblances in advertising methods and social customs.

Per Capita Sales

When the sales figures cited in the preceding paragraph are reduced to a per capita basis retail sales amounted to \$299 per person in Canada in 1941 compared with per capita sales of \$319 in the United States in 1939. The figures for Canada, however, are not strictly comparable because of the 33 per cent. increase in Canadian retail trade between 1939 and 1941. Using the estimate of retail sales in Canada for 1939 revised to census trends together with estimates of the population, it is found that average sales for the Dominion then amounted to \$228 per person or 71.5 per cent. of the per capita sales of \$319 in the United States in the same year.

Part of the reason for the gap between the per capita sales of the two countries in 1939 may result from the fact that Canada's population is considerably less urbanized than that of the United States. Thus, according to Table 1, 61.4 per cent. of the population of the Dominion in 1941 was found in towns and cities with less than 10,000 persons while 52.4 per cent. of the population of the United States was allocated to such localities in 1940. It is in such centres that per capita purchases of consumer goods can normally be expected to average somewhat lower than in the larger localities. Retail trade is also influenced by the level of national income, a high proportion of which represents purchasing power made available as incomes for personal expenditures and savings. According to figures published in the March, 1944, issue of the *Monthly Review of Business Statistics* (D.B.S.), per capita national income amounted to \$402 for Canada and to \$541 for the United States in 1939. Canada's per capita national income in 1939 thus amounted to 74.3 per cent. of the per capita national income of the United States and closely approximated the ratio of 71.5 per cent. which per capita retail sales in Canada formed of average sales per person in the United States in the same year. It is also interesting to note that per capita sales comprised 56.7 per cent. of the per capita

national income of Canada in 1939, only slightly below the corresponding figure of 58.9 per cent. in the United States.

Distribution of Population and Retail Trade by Size of Locality

Because of differences in consumer needs and in buying habits, percentage distributions of population, stores and sales by locality size groups are only roughly similar. This is shown in Table I which presents a proportionate distribution of the three sets of data for each country by size of locality. Thus, centres in Canada with 100,000 or more persons accounted for 23.0 per cent. of the population, 26.1 per cent. of the stores and 39.6 per cent. of all retail sales while places of less than 10,000 including all rural areas contained 61.4 per cent. of the population, 56.6 per cent. of all stores and contributed only 34.0 per cent. of all retail sales. Narrower variations between the three percentages are seen in the two intermediate groups, that is, centres with populations between 10,000 and 30,000 and between 30,000 and 100,000. Similar differences are also noticeable for the United States when the distributions of population, stores, and sales are compared in the same way.

TABLE I
*Distribution of Population, Stores and Sales by Size of Locality,
Canada and the United States*

Size of locality	CANADA			UNITED STATES		
	Population 1941 (Per cent.)	Stores 1941 (Per cent.)	Sales 1941 (Per cent.)	Population 1940 (Per cent.)	Stores 1939 (Per cent.)	Sales 1939 (Per cent.)
Over 100,000 ..	23.0	26.1	39.6	28.8	31.9	42.6
30,000-99,999 ..	8.1	8.7	14.1	9.9	11.0	14.5
10,000-29,999 ..	7.5	8.6	12.3	8.9	10.7	12.9
Under 10,000 ..	61.4	56.6	34.0	52.4	46.4	30.0
Totals	100.0	100.0	100.0	100.0	100.0	100.0

Relationships between the proportions of population and stores by size of groups closely paralleled each other within the two countries. Thus, cities of over 100,000 persons contained 23.0 per cent. of the population and 26.1 per cent. of the stores in Canada and 28.8 per cent. of the population and 31.9 per cent. of the stores of the United States. Such similarities are partly a reflection of the business activity of the population and more importantly, indicate that the physical problems involved in serving customers are roughly similar for most of the stores in all groups.

It will be observed in Table I that the proportions of sales made in the three larger groups of localities exceeded the corresponding proportions of stores and population in each of the two countries. This relationship in both Canada and the United States is reversed for places with less than 10,000 persons. Here the proportions of sales made are considerably less than the percentages of either stores or population found in such communities. The further fact that the disparities were greatest in the largest and smallest sizes of locality should also be noted.

The greater drawing power of stores in the larger cities is probably one major reason why the concentration of retail sales exceeds the concentrations of population in these cities. Indeed the drawing power of retail establishments seems to increase from the smaller to the larger size groups because the disparity between the proportions of sales and of population widens in each country from centres with populations between 10,000 and 30,000 to the next two larger locality size groups. Widespread use of the automobile and better roads associated with the wider lines of merchandise carried by the bigger stores which are found in the larger urban centres are factors basic to this shopping habit.

It is also probable that consumers' expenditures average somewhat lower in rural areas and in small towns and cities than in localities of more than 10,000 population. This is essentially a reflection of the fact that many food products can be grown or purchased from local producers by families in the smaller towns and cities. Demands for apparel also tend to be less exacting in these areas while expenditures for automotive commodities and for durable electrical and other products may likewise be expected to be somewhat lower than in the larger urban areas. Purchases for farm supplies, of course, tend to offset the lower expenditures for other kinds of goods made by farm families but overall it is still likely that per capita sales are lower in the more rural areas.

Examination of Table I also indicates that the major differences between the two countries are found in the largest and smallest groups. Considerably larger proportions of the population and of retail trade were concentrated in cities of 100,000 and over in the United States in 1939 than in Canada in 1941, such centres accounting for 28.8 per cent. of the population and 42.6 per cent. of the retail sales of the former and 23.0 per cent. of the population and 39.6 per cent. of the retail trade of the latter country. On the other hand, larger proportions of the population and of the total trade of Canada were found in places of

less than 10,000 than in the United States, 61.4 per cent. of the population and 34.0 per cent. of the sales being found in such areas in the Dominion against 52.4 per cent. of the population and 30.0 per cent. of the sales in the United States. The distributions of population and sales in the two immediate sizes of locality were substantially the same for both countries in the years under review, the percentages for the United States being slightly larger than the corresponding ratios for such Canadian centres.

Retail Sales by Kind of Business

Retail trade by kind of business is only roughly indicative of commodity sales because retail stores for census purposes are classified by kind of business according to the principal kinds of goods sold. For this reason the percentage distribution of retail sales by kind of business more particularly reflect divisions of consumer expenditure between the different kinds of stores.

TABLE II
*Distribution of Retail Sales by Kind of Business Groups,
Canada and the United States*

Kind of Business Groups	CANADA		UNITED STATES
	1941 (Per cent. of total)	1939 (Per cent. of total)	1939 (Per cent. of total)
Food	22.9	22.6	24.1
Country General Stores	6.2	7.3	1.9
General Merchandise	15.3	15.2	13.5
Automotive	17.3	18.3	19.9
Apparel	8.6	7.9	7.8
Hardware	2.1	2.2	2.3
Building Material	3.0	2.8	4.2
Furniture—Household			
—Radio	3.4	3.3	4.3
Restaurants	3.8	2.9	5.1
Drug	2.9	2.9	3.7
All other retail stores	14.5	14.6	13.2
Totals	100.0	100.0	100.0

As indicated in Table II, the percentage distributions of retail sales by kinds of stores were substantially the same for both countries in 1939. It is also interesting to note that only minor differences were introduced into the comparisons when Canada's distribution of sales in

1941 are matched against those of the United States for 1939. Americans spent larger proportions of their money in restaurants, and in automotive, food, building material, furniture, household, radio, and drug stores in 1939 than Canadians distributed in the same kinds of stores. On the other hand, country general, general merchandise, and "all other" kinds of stores were somewhat more important in the Dominion. Apparel and hardware stores obtained virtually the same proportions of total retail sales in both countries in 1939.

Comparisons of the relative importance of country general, general merchandise, and building material kinds of stores require additional comment. A more restricted definition of country general stores by census authorities of the United States has probably meant that stores which would have been designated as country general stores in Canada were classified as food, general merchandise, or "all other" kinds of stores in the United States census of merchandising for 1939. In addition a marked shift from country general to more specialized kinds of stores characterized retail trade in both countries during the intercensal years. It is quite possible that this trend has proceeded at a faster rate in the United States. General merchandise store sales are principally composed of the trade of department and mail order stores in both countries. Such establishments, according to Table IV, obtained a larger share of the total trade of Canada than of the United States and it is probably to this fact that the higher ratio of general merchandise store sales in Canada must be attributed. Building material stores, however, were somewhat more important in the United States. This may be because sales of lumber by lumber mills which are excluded from retail statistics were somewhat more important in the Dominion.

Retail Sales by Size of Business

Percentage distributions of stores and sales according to amount of annual turnover are presented in Table III for Canada's trade in 1941 and for that of the United States in 1939. These data, of course, are based on the results of each country's census of merchandising establishments which were taken for the above years.

Overall, fairly close similarities are apparent in the proportions of stores found in the different sales size classifications for the two countries. The distributions of total sales by amount of annual turnover are also comparatively close. Stores were somewhat more concentrated in the lowest size of business category in the United States than in Canada and, to a lesser extent, retail establishments with

annual sales between \$100,000 and \$500,000 were also more numerous in the former country. On the other hand, outlets in the three intermediate sales size categories which ranged in sales volumes between \$10,000 and \$100,000 relatively were slightly more numerous in the Dominion while stores with sales over \$500,000 formed 0.3 per cent. of the total number of stores in each country.

TABLE III
*Distribution of Stores and Sales by Amount of Annual Sales,
Canada and the United States*

Stores with annual sales of:	Canada (1941)		United States (1939)	
	Per cent. of stores	Per cent. of sales	Per cent. of stores	Per cent. of sales
Under \$10,000	51.7	8.7	54.2	9.1
\$10,000-\$29,999	30.7	21.5	29.5	21.3
\$30,000-\$49,999	8.8	13.4	7.5	12.1
\$50,000-\$99,999	5.5	14.8	5.3	15.2
\$100,000-\$499,999	3.0	22.7	3.2	25.4
\$500,000 and over	0.3	18.9	0.3	16.9
Totals	100.0	100.0	100.0	100.0

The largest size group of stores, however, obtained a larger share of the trade of Canada than their counterparts in the United States, thus reflecting the more important position held by department and mail order stores in the Dominion. Taking the two largest sales size classifications together, stores with annual sales of more than \$100,000 obtained about the same proportions of the total trade in each country. At the lower end of the scale stores with annual sales of \$10,000 transacted a slightly higher proportion of the total trade in the United States.

The comparisons which have just been made are not entirely accurate because of the increase in sales in Canada between 1939 and 1941. Indeed, with the expansion of 33 per cent. in the dollar volume of trade between the two years, there has probably been a gain in percentage of about the same amount in the sales of most individual stores. This has caused an upward shift of stores in Canada from lower to higher sales size categories without any corresponding movement for stores in the United States. To make the distributions by size of business more comparable it would be necessary either to raise the upper boundaries of the various sales size intervals for the United

States or to lower proportionately the upper boundaries of the different intervals for Canadian trade figures. Unfortunately neither of these adjustments can be made.

Nevertheless, rough appraisals of the distributions of stores and sales in Canada can be made for 1939 on the assumption that the increase in total sales between then and 1941 was spread fairly evenly over the sales of most individual stores. Canadian stores with sales over \$500,000 had average sales of about \$1,500,000 per store in 1941. An "adjustment" to 1939 levels would therefore leave most of these outlets in this size bracket thereby still enjoying a larger share of the Canadian trade in 1939 than their counterparts obtained in the United States. Beginning with the \$100,000 to \$500,000 size of business classification, a "return" to the 1939 volume of business would cause a downward shift of stores and sales, thus increasing the proportions of stores and sales found in the lower sales size classifications. On this basis it is probable that the proportions of stores and sales which would have been attributed to the category of stores with annual turnovers of less than \$10,000 were at least as large in Canada as in the United States in 1939.

Average sales per store, an approximate measure of the size of retail outlets in the two countries, amounted to about \$25,700 per store for Canada in 1941 and \$21,600 for the United States in 1939. If department and mail order stores are excluded from both series of statistics, the resulting figures are much closer, standing at \$22,400 for Canada and \$21,600 for the United States in the same two years. When allowances are made for the 33 per cent. increase in the retail sales in Canada between 1939 and 1941, it becomes apparent that retail outlets other than department and mail order stores were somewhat smaller in Canada than in the United States in the earlier year.

Retail Sales by Type of Store

Distribution of sales between independent, chain, and department and mail order stores is another aspect of retail trade which may be compared. Department stores and mail order houses are considered by the census authorities in Canada and the United States as a kind of business rather than a type of operation but in view of their size and importance such stores are here shown separately. Retail chains are defined in both countries as multiples of four or more stores under the same ownership.

TABLE IV
*Distribution of Retail Sales by Type of Store,
 Canada and the United States*

Type of Store	Canada (1941) (Per Cent.)	United States (1939) (Per Cent.)
Independent	70.3	71.1
Chain	18.7	19.4
Department and Mail Order	11.0	9.5
Totals	100.0	100.0

Independent stores still predominate as distributors of consumer goods, transacting 70.3 per cent. of the total retail trade of Canada in 1941 and accounting for 71.1 per cent. of all retail sales in the United States in 1939. Chains ranked second, being somewhat more important in the United States where they obtained 19.4 per cent. of that country's trade which compares with a corresponding figure of 18.7 per cent. for the Dominion. On the other hand, department and mail order stores together played a somewhat larger role in the retail trade of Canada, where they accounted for 11.0 per cent. of the total sales of that country against 9.5 per cent. of the sales in the United States.

TABLE V
*Proportions of Chain Store Sales to Total Sales in Selected Kinds
 of Business, Canada and the United States*

Kind of Business	Per cent of Chain Sales to Total Sales of All Stores in Same Kind of Business	
	Canada (1941)	United States (1939)
Grocery	15.0	32.4
Combination	44.2	38.4
Variety	86.9	86.8
Men's and Boys' Clothing and Furnishings	12.1	21.9
Family Clothing	18.5	17.8
Women's Apparel and Accessories	13.2	28.9
Shoes	37.2	56.0
Furniture	23.7	14.6
Drug	18.6	25.6
Tobacco Stores and Stands	15.8	27.1
Filling Stations	8.6	10.2

It is also possible to measure the importance of chain stores in

particular lines of trade by expressing the total sales of such stores as percentages of the turnover of all stores in the corresponding kinds of business. The stronger competitive position of chain outlets in the United States is illustrated by the chain ratios shown for eleven kinds of business in Table V. In six of these, chain outlets obtained considerably larger proportions of the total sales in United States in 1939 than their counterparts in Canada in 1941. It was only in two kinds of business, that of combination food stores and furniture outlets, that chain outlets handled larger percentages of the trade in Canada. The competitive positions of the three remaining kinds of chains, however, were almost identical in both countries during their respective census years.

Retail Trade by Form of Organization

Retail stores and sales are also classified according to the legal form of organization under which they are operated. These categories are individual proprietorships, partnerships, corporations, co-operative associations and "other forms". Such distributions of stores and sales are presented in Table VI.

TABLE VI
*Distribution of Stores and Sales by Legal Form of Organization,
Canada and the United States*

Form of Organization	Canada, 1941		United States, 1939	
	Stores (Per cent)	Sales (Per cent)	Stores (Per cent)	Sales (Per cent)
Individual Proprietorships	82.7	46.2	76.7	39.3
Partnerships	7.7	9.3	10.7	12.4
Corporations	8.8	40.7	11.9	47.1
Co-operative Associations	0.3	0.6	0.2	0.3
Other Forms	0.5	3.2	0.5	0.9
TOTALS	100.0	100.0	100.0	100.0

Unincorporated companies, including both individual proprietorships and partnerships, dominated the retail field in both countries in the two recent census years. Such concerns, however, were somewhat more important in Canadian retail trade where they operated 90.4 per cent. of all stores and obtained 55.5 per cent. of sales in 1941 compared with 87.4 per cent. of all stores and 51.7 per cent. of the total trade of the United States in 1939. Stores operated by partnerships were proportionately more numerous in the United States, where they also accounted for a larger share of the total trade. Due in part to the greater importance of chains in the retail trade of the United States,

corporations in that country operated a larger proportion of the stores and obtained a larger share of total retail sales in 1939 than similar concerns in Canada in 1941.

Employment in Retail Trade

In general only small differences are revealed by comparisons of the various aspects of employment in retail trade in the two countries. Male employees were more numerous in both countries, forming 61.7 per cent. of all paid store employees in the Dominion in 1941 and the larger figure of 65.9 per cent. of all employees in the United States in 1939. There were, therefore, relatively more female employees in Canadian stores than in American retail establishments in the two census years. Certain dissimilarities are also apparent in the utilization of full-time and part-time employees in the stores of the two countries, the latter group of workers being more numerous in Canada than in the United States. This is evidenced by the fact that part-time workers in Canada formed 24.3 per cent. of all store employees in 1941 and only 18.9 per cent. of all retail employees in the United States in the earlier year.

Both of the variations noted above seem in part to reflect the results of intercensal trends in retail employment. Examination of census statistics on retail trade in the United States indicates a considerable trend to a greater use of part-time workers between 1929 and 1939, accompanied by a small increase in the proportions of female employees in retail stores. In addition, the impact of war upon retail stores in Canada was probably felt in the increased separations of male workers from store staffs due to enlistments and transfers to other types of employment which occurred concurrently with the expansion in Canadian sales between 1939 and 1941. Such developments would tend to raise the proportion of women employed and stimulate further the utilization of part-time employees in Canadian stores between the two years.

Proprietors and employees, expressed as percentages of the sum of the two classes of personnel in retail trade, in each country formed about the same proportions of the corresponding totals during their respective census years. Thus proprietors comprised 25.1 per cent. of the Canadian working force in 1941 and 26.0 per cent. of the American working force in 1939. This similarity between the two ratios is surprising because Table VI indicates that stores operated by unincorporated retail firms in Canada in 1941 were relatively somewhat greater than in the United States. A possible "net gain" in the number of small

retail firms of the proprietorship or partnership form stimulated by the increase in retail sales in Canada between 1939 and 1941 would also tend to raise the proportions of proprietors in Canada above the corresponding figure for the United States. On the other hand, retail partnerships containing two or more "proprietor-partners", operated a larger proportion of stores in the United States, thus tending to offset the smaller number of proprietors found in individual proprietorships in that country.

Distribution of stores, total employees and sales for stores classified according to number and employees is presented in Table VII for Canada in 1941 and for the United States in 1939. Here again, as in the distributions of stores and sales by amount of annual turnover, the increase in the retail trade of the Dominion between 1939 and 1941 has distorted to some extent the accuracy of size comparisons as measured by the number of employees engaged. It is doubtful, however, if this expansion in sales has exerted the same influence here as in the size classifications determined by amount of annual sales per store. This, of course, is because retail employment is principally a function of the number of transactions and of the physical turnover of merchandise. No data are available on the number of transactions, but retail prices as measured by the Bureau's cost-of-living index rose by approximately 10 per cent. between 1939 and 1941. Although this increase in prices is not directly applicable to the gain of about 33 per cent. in sales, it is still apparent that the expansion in sales considerably overstates the increase in the quantities of merchandise sold. It is also probable that part of the expansion in the physical volume of sales was taken up through a more complete utilization of those full-time employees who were already on the staffs of Canadian stores in 1939.

Examination of Table VII reveals fairly close similarities between Canada and the United States in respect to the proportions of stores, employees and sales attributed to each employee size category. Canadian stores employing 100 or more workers, although equally numerous in the two countries, provided work for a somewhat larger proportion of all employees and obtained a slightly larger share of total sales in 1941 than their American counterparts in 1939. These Canadian stores in 1941 were considerably larger than outlets of similar employee size in the United States, having average sales of \$3,065,500 per outlet and employing an average of 526 workers per store for 1941 against average sales of \$2,181,100 and average employees of 316 per store for such American establishments. Stores employing between 20 and 99

employees, however, were somewhat more important in the United States. On the other hand, stores employing from two to twenty workers played a larger role in Canadian retail trade, but this relationship was reversed in the two smallest employee size categories. This, of course, is indicative in part at least of the expansion in the staffs of Canadian stores which was occasioned by the increase in the physical volume of trade between 1939 and 1941.

TABLE VII

*Distribution of Stores and Sales by Number of Employees,
Canada and the United States*

NUMBER OF EMPLOYEES	CANADA, 1941			UNITED STATES, 1939		
	Per cent. of Stores	Per cent. of Employees	Per cent. of Sales	Per cent. of Stores	Per cent. of Employees	Per cent. of Sales
Stores reporting—						
No Employees	41.4	8.6	42.6	9.2
1 Employee.....	20.1	7.0	8.9	22.6	7.5	9.8
2 Employees.....	12.4	8.7	9.4	11.4	8.7	8.7
3 Employees.....	7.6	8.0	8.2	6.9	7.9	7.5
4-9 Employees	13.9	26.8	24.9	11.9	25.2	23.1
10-19 Employees	3.0	13.4	12.1	2.9	14.5	12.9
20-99 Employees	1.5	18.0	15.9	1.6	21.2	17.8
100 Employees or over.....	0.1	18.1	12.0	0.1	15.0	11.0
TOTALS.....	100.0	100.0	100.0	100.0	100.0	100.0

These, then, are some of the similarities and contrasts to be found in the retail trade of Canada and of the United States in the two most recent years for which census material is available. The percentages here shown are based on total figures of retail trade and, therefore, conceal regional differences both within and between the two countries. There are also great disparities in absolute terms between the population, numbers of stores and total retail sales of the two neighbouring nations. Nevertheless, it is significant that so many close parallels are revealed when the two sets of data are presented on a proportionate basis.

CANADA'S POSITION IN POST-WAR WORLD TRADE

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CANADA goes into the post war period facing two inescapable facts. They are:—

(1) That export markets must be found for the enormous amount of machinery and factories we have developed during the war. This is positively essential if the proper level of employment is to be maintained throughout the country.

(2) That the Atlantic Charter calls for development of trade between countries and if this trade is to become a reality, it will be necessary to maintain and in some cases adjust tariffs to a reasonable trading level.

There is not much doubt that we are on the threshold of an era of tremendous development in Canada. We go into the post war years, one of the greatest potential manufacturing countries in the world. The exigencies of war have caused us to become a great arsenal of democracy. When the blitz threatened to extinguish a considerable portion of British industry, factories sprang up all over Canada. That Britain survived all the Nazis could drop on that beleagured country, and that she was able to keep her industries going in high gear, even through the worst and darkest days, in no wise alters the fact that the Dominion went ahead industrially with Seven League Boots. As a manufacturing country, Canada has really found herself in this war.

One can go to the outskirts of such cities as Montreal, Hamilton, Toronto and Kitchener, and see what had been cow pastures on real estate subdivisions, languishing forelornly, transformed overnight into factory areas. Dark outskirts burst into light as the factories toil through the night on a twenty-four hour day basis, piling up the bad news for the Axis.

One could go on and elaborate this theme, and tell how little towns mushroomed into bigger towns, small factories enlarged into tre-

mendous producing units through war industry, and how the wilderness suddenly blossomed into suburbs of Mars, when war plants rose above the gardens, the hay fields, and the forests. But the main fact is that Canada has factories all over the countryside. There used to be a saying "all dressed up and no place to go"; after the war, Canada's factories will be all geared up with no place for exports to go, if we do not take stock of the situation now and plan intelligently for the post war production period.

This does not mean that we should put commerce first and the war afterwards. Everyone agrees that the main business in hand now is successfully to terminate the war by winning it. A cold logical appraisal of the situation as to future employment should be taken now, however, to see what should be done.

First of all, one might survey the country closest at hand, the United States. Here, it seems, is a good market for certain products—a very dubious one for others. Generally speaking we can only sell to Uncle Sam the products of raw materials found chiefly in Canada. To explain this, let us take newsprint. No one denies that there are trees in the United States, or that there is paper, for that matter. But Canada, with her tremendous wooded areas, is capable of producing paper on a vast scale, and on an infinitely cheaper basis than it can be turned out in the United States.

There are all kinds of possibilities, too, wherein we may act as a sort of intermediate zone between the United Kingdom and the United States. Raw products may come from Britain, be processed here and shipped on to the United States. Again, we have branches of British factories in Canada. In these plants we have the inimitable English models, the English qualities, the English style, to say nothing of English craftsmanship—in short, the things coveted by the Americans and in which British workmanship is acknowledged to be superior.

Everyone will agree that our trade with the United States is assured. There are all kinds of products they want which we have, and which they can buy. This market, however, must be assessed with the thought always in the background that we as a manufacturing country cannot compete on even terms in those commodities which the Americans themselves make in a mass production basis.

Canada undoubtedly has real trade worlds to conquer overseas. In the Empire alone, the balance of trade is likely to be embarrassingly lopsided. A far greater tendency will have to be demonstrated on

behalf of United Kingdom authorities to admit Canadian products in pre-war quantities. Canada has been doing a great job in helping out the Mother Country during periods of stress and strain and it is, therefore, only reasonable that the flow of trade in peace time should continue unabated.

The farmers of Canada and the processors of meat products particularly have shown without a shadow of a doubt that they have been able to cope successfully with the tremendous problem of supplying United Kingdom markets when the need was most pressing and when other countries, by virtue of Axis conquests, were eliminated from the picture. It is, therefore, only natural to hope that Canada may retain her fair share of this trade once the conflict is over.

We are particularly fortunate in having so many customers within the Empire south of the equator. That means we are the only unit in the Empire that can satisfactorily supply these customers with what they want. Before the war, one of the Dominions had a trade balance with us one year wherein she imported approximately fourteen million dollars worth of goods from us, while we were able to take only three million dollars worth from her. This off-balance ratio should not be encouraged, but it goes to show how favourably we are situated within the Empire.

Canada did a rushing business with Australia, New Zealand, India and other British possessions before the war. In some cases she sold considerably more than she purchased. No doubt this can and should be adjusted in the post war period.

Attention should be paid to such recent events as the visit of the Swedish Trade Mission to Ottawa. It was headed by Rolf. de Heidenstam, an outstanding Swedish business man. Mr. de Heidenstam was excited by what he saw, enjoyed first hand contacts, and surprised the reporters when he said:

"I am not here to see what we can sell you; actually we want to buy. You have many things we want to buy from you, particularly after the war."

As it turned out, he told everybody that Sweden was desperately anxious to get Canada's goods and he indicated that even before the war, Canada sent far more to Sweden than the Swedes sold to Canada.

What goes for Sweden, probably goes for all Scandinavian countries. Finland, for instance, sent its ships regularly to Canada for

Canadian cargoes, yet not a great deal came to Canada from Helsinki and other Finnish cities.

The plain fact is that more than half of Europe was trading with the Dominion before the war and ships from France, Italy, Greece, Belgium and Scandinavian countries came regularly, while Czechoslovakia and other inland countries were served through the ports of other countries.

After the war all these countries and many more are going to be requiring practically anything Canada can produce. The question, of course, is, how can they pay for their requirements? Undoubtedly the countries of Europe tomorrow will be financially embarrassed. We shall have to take some kind of credits—some kind of barter. If Canada is alive to this responsibility, and no doubt she will be, we shall be able to use the barter goods to advantage and at the same time nurse these countries along until they can pay in cash as they improve their positions.

With regard to the countries of South America, here is a ready-made market if ever there was one. The Hon. James MacKinnon, Minister of Trade and Commerce, went south on a good-will mission a couple of years ago and lined up some valuable post war trade treaties. Even without these, we were shipping regularly to South America before the war and were on the other hand taking a very large proportion of their raw materials in the shape of hides and skins. The extent of the importations from these countries of South America has unfortunately never been clearly defined as most of the products came through New York brokers and appeared in international statistics as importations into the United States. As Canada's trade develops and her own ships go into the South American business, undoubtedly a great deal of direct business can be done between these countries.

It appears more than likely that our trade down there will be greatly amplified after the war. With our treaties and our enlarged output, we shall be in an excellent position to send them further products. South America, unimpaired by the war, with cash on hand, and producing very little of what is plentifully available in Canada, sounds like a trade "natural" as far as this country is concerned.

Without taking a globe-trotting trip up and down these paragraphs, it can easily be discerned that the world should be pretty much at Canada's door for merchandise after the war. A universe hungry for goods is going to want what we have. It is going to be easy to

get our products into these countries, in my opinion, after the Armistice. But when other countries get rolling along, when their own wheels of industry start to turn again, can we stand the competition? That will be strictly up to us. For three years after the Armistice, we ought to be sitting on top of the world. After that — what?

Our best business brains, our best economic brains, and our best political brains should watch foreign trade with the proverbial eagle's eye. They will have to see to it that we never get round to any stand pat attitude in foreign affairs, that our trade is always a lively and resilient thing, meeting demands each day as they come up, changing styles with changing markets, and catering to a whimsical world that doesn't want tomorrow what it wants today. If Canada stays alert, keeps on top of the situation, no one can limit our trade horizons, no one can put a maximum on our trade figures.

CANADIAN-AMERICAN TRADE RELATIONS

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TARIFF policy will undoubtedly constitute an important international problem in the post-war world. The desire of the United Nations for freer world trade is clearly set forth in the Atlantic Charter. Each country, however, will have to interpret this ideal in terms of its own peculiar economic needs. As far as Canada is concerned, implementing this clause of the Charter is likely to have to do chiefly with our tariff policy toward the United States. How are our trade relationships with the Republic being altered by the war? What is the likelihood of reducing the Canadian-American tariff after victory?

The pre-war trade relations of Canada and the United States were something more than the over-the-line-fence contacts of neighbours. They had an intimacy which cannot be adequately expressed by statistics. The statement that in 1938-39 the United States took 41 per cent. of Canada's exports and supplied the Dominion with nearly 63 per cent. of her imports fails to convey the idea of the hourly, almost momentary, trade contacts of the two nations. Similarly the declaration that the United States has nearly four billion dollars invested in Canada does not show how Canadian business, partly as a result of that investment, is dependent upon American production techniques and managerial practices.

These ties of trade and culture have been pulled even more tightly together during the present war. When Canada declared war she lacked certain essential supplies such as machine tools, airplanes, airplane engines and parts, cotton, several types of chemicals and a host of other articles. Fortunately she was able to obtain these necessities from the United States. Prime Minister King stated in the House of Commons that "it will readily be recognized that we, in Canada, could not possibly have embarked upon our existing programme of war production if we had not lived side by side with the greatest industrial nation in the world. Without ready access to the equipment so necessary in producing the complex instruments of modern war, Canada's war effort would have been seriously retarded".

As Canadian production for war purposes increased, the problem of paying for the American imports became acute. Imagine that Canada has a great account with a fictitious international bank. On the debit side of the account would be recorded the aggregate value of our imports of goods from the United States plus the value of the services rendered to Canadian business men for carrying Canadian goods abroad or for entertaining Canadian tourists and health seekers in the United States plus the interest and dividends on American money invested in Canada plus royalties on motion pictures and other minor items. On the credit side of the imaginary account would be entered the total value of goods exported by Canada to the United States plus the value of services rendered to American tourists by citizens of Canada and so on. Our account in New York commonly showed a debit balance. In other words, Canada was usually "short" American dollars. On the other hand we normally had a credit balance in London because we sent to Britain more goods and services than she supplied to us. We had a surplus of pounds sterling. Through the mechanism of international exchange we used our surplus of sterling to meet our shortage of dollars. Thus, in the long run, we balanced our accounts with the two countries with which we carried on 80 per cent. of our external trade.

As indicated, the war greatly stimulated Canadian purchases in the United States so that our deficit of dollars there grew by leaps and bounds. At the same time our exports to Britain expanded due to the need of the United Kingdom for our wheat, lumber, base metals, munitions and the like. Our credit balance in pounds sterling increased. Unfortunately we could not use our surplus pounds to meet our shortage of American dollars as had been the case before the war. Britain herself had to buy increasing amounts of necessary war materials from the United States. According to the Johnson Act, Britain, in common with other belligerents, could not borrow money in the United States. Hence she had to get the goods on a cash-and-carry basis. In order to obtain dollars in New York, she exported what goods she could to the United States and sold securities of American governments and business enterprises owned by British subjects. By the end of 1940 Britain had almost reached the limit of her financial resources in the United States and her growing requirement for dollars was creating an acute situation. Fortunately the Republic had become aware of the danger to which a collapse of British resistance to Germany would expose her. Hence she began to lend-lease supplies to Britain, that is, to advance war supplies to Britain with the understanding that these goods were

to be returned after the war was won. In this way Britain's desperate lack of dollars and the war materials which they represented was overcome.

Besides the need for American exchange, Britain required Canadian dollars too in order to pay for the increasing quantities of war supplies she bought from the Dominion. To ease the situation, Canada has given Britain credit to buy Canadian goods with the expectation, or the fond hope, that this aid-to-Britain will be repaid after the war. This is the Canadian equivalent of lend-lease. Incidentally, aid-to-Britain began before the American lend-lease programme and on the basis of relative population it is just as important. It is, however, available only to the United Kingdom whereas the American lend-lease is extended to any United Nation in need of it. However, Canada has not used lend-lease from the United States.

The lend-lease and aid-to-Britain schemes solved the financial difficulties between Britain and the United States and between Britain and Canada but they left untouched the problem which Canada faced of meeting her steadily increasing shortage of American dollars in New York. We could not expect that Britain would continue to convert our surplus of pounds into dollars even though, through the international exchange mechanism, she had done this before the war and even though our surplus of sterling was steadily growing. Had Canada insisted on the old methods, she would have forced a reduction of Britain's purchases of war supplies in the Republic because Britain was already having difficulty meeting her deficiency of dollars arising out of war purchases. Hence, Canada had to make her own arrangements for meeting the debit balance in New York.

These arrangements involved increasing the supply of American dollars and rationing what dollars were available to uses essential to the war effort. Some encouragement was given to gold mining and newsprint manufacturing. These two industries sell their output chiefly in the United States and are thus important producers of American exchange. American tourists were urged to travel in Canada for they too would increase our supply of American dollars. Unfortunately our efforts in this respect were not very successful at first because of the activities of Nazi agents and later on account of gasoline rationing. In order to ensure that whatever dollars we did possess would be used for the most essential purposes, Canada forbade the importation of certain luxuries like high-priced automobiles from the United States, put a special tax on others, and prohibited Canadians from travelling for

pleasure in the States. Even with these restrictions a "bottle-neck" of American dollars had developed by the spring of 1941. Had the situation gone on much longer, Canada would have been forced to sell the property and securities which her citizens owned in the United States or she would have had to refuse to pay interest and dividends on American investments in Canada. Unfortunately our American holdings are chiefly in railways, branch plants and the portfolios of life insurance companies. None of these are easily disposed of. To refuse to pay interest would injure our credit in the long-run, though temporarily it would reduce the drain on our scarce supply of American dollars. The only remaining alternatives were to reduce our purchases of war supplies from the United States or apply for lend-lease. The first of these would cut down on our output of badly needed war supplies and the latter might give rise to post-war complications which we were anxious to avoid.

A way out of our exchange difficulties was agreed upon by President Roosevelt and Prime Minister King meeting at Hyde Park, New York, on April 20, 1941. The United States undertook to purchase from Canada war supplies which she needed to an amount large enough to offset the shortage of American dollars which Canada experienced in New York. It came as a surprise to most Americans and in fact to many Canadians that Canada had sufficient productive capacity to supply her industrialized neighbour with ships, aluminum, and certain types of small arms and ammunition. As a result of these purchases the exchange situation has ceased to be critical. Nevertheless it continues to require careful attention. The Canadian government has not been able to relax the restrictions on travel and imports. It is to be noted that, in order to neutralize our deficiency of dollars in New York occasioned by our purchases of American goods, the United States receives goods manufactured or produced in Canada and transferred at current prices. No money is loaned by one country to the other nor is there anything in the nature of lend-lease.

Wartime collaboration between the two countries has not been confined to monetary matters. The Hyde Park agreement also provided for synchronizing, as far as possible, the productive efforts of the two nations. It was obvious that it would be a waste of effort to have two governments bidding against each other for scarce supplies of labour and materials. It was equally clear that war productivity would be maximized if each country specialized in making those articles for which it was better suited than the other. Hence a board for

unifying production was set up. It is indicative of the close personal and business relationships between the two democracies that two officials employed by the Board, the Metals Controller for Canada and the corresponding authority in the United States, are brothers. Under arrangements made by the Board, Canada has refrained from expanding her capacity in iron and steel because her needs could be supplied more economically from the Republic. Each country accords similar priorities to the requirements of the other nation as it does to its own. For obvious reasons full details of the work of the Board or of the joint *ad hoc* committees which are replacing it have not been revealed. Nevertheless the scheme involves, as the Prime Minister has explained, "nothing more than a common plan for the economic defence of the western hemisphere".

This economic co-ordination is supplemented by joint military defence. With the collapse of France and the end of the "phony war", the United States began to realize that she could no longer afford to ignore events in Europe. Though she still fondly hoped to avoid being drawn into the actual fighting, she saw clearly that she must get ready to defend herself if need be. But she could not afford to wait until the enemy was actually on her shores before taking action. She had to guard the outposts of both North and South America. Hence, with the consent of the governments concerned, she constructed naval and airplane bases in Bermuda, Newfoundland, Labrador, and Iceland. She also began to build the Alaska Highway through Canada and strengthen the defences of Alaska itself.

The gist of the matter is that in order to defend herself the United States had to defend Canada. This was not a new idea. Speaking at Kingston, Ontario, on August 18, 1938, President Roosevelt had declared that "Canada is part of the sisterhood of the British Empire. I give to you assurance that the people of the United States will not stand idly by if domination of Canadian soil is threatened by any other Empire". Of course even before the outbreak of hostilities in Europe, Canada had begun to protect her own shores but the unequivocal declaration of President Roosevelt and the American re-armament programme provided a complete scheme for the defense of North America.

If the programme was to be effective, co-ordination of the Canadian and American plans was essential. Hence, following an agreement between President Roosevelt and Mr. King at Ogdensburg, New York, in 1940, a Permanent Joint Board of Defense was created. This body

has surveyed the defence preparations along both coasts and has made recommendations to the two governments. Close economic collaboration between the two countries has thus been supplemented by joint defence.

How will these developments affect the inter-relationships in the post-war period? That relations between Canada and the United States will continue to be peaceful can be taken for granted. So too can Canada's continued membership in the British Commonwealth. Undoubtedly there are a few annexationists in Canada at present as there have always been in the past. Yet our loyalty to the Crown is too deeply rooted in our history and traditions to be lightly disposed of unless, of course, Britain pursues an international policy which completely ignores the interests of Canada. The fact is that most Canadians share with Britain common ideals of justice, of fair play, and of probity in public affairs. This is not to infer that these ideals are not or cannot be attained under other flags but for us in Canada they are so peculiarly associated with the Union Jack that most Canadians will not seriously consider raising another flag in this land for fear of losing "the promises men live by". Besides pride in the British connection, French speaking Canadians consider that Britain is the guardian of their minority rights. Moreover, loyalty to the Crown is one thing on which all races, creeds and linguistic groups in Canada are reasonably well united. The loyalty is, therefore, an integrating influence within Canada and a bulwark against political and cultural absorption by the United States. This deep-seated patriotism is supplemented by trade connections and preferential tariffs with Empire countries and by the realization that Britain is the first line of defense against possible invasion of Canada from Europe. All these factors will be strengthened if, after the war, the United States or certain segments of the American population, revert to economic or military isolation or adopt a supercilious attitude toward the rest of the world.

At the same time Canadians must understand that the war has forged even stronger links in the economic and defense interconnections of this country and its southern neighbour. In fact American owned or leased naval and air bases now encircle Canada in Newfoundland and Alaska though there are none in Canada itself. Before the war the prospect of such a development would have raised strong objections by some Canadians. Defence of Canada by a foreign power seemed to be derogatory of our much vaunted status as a self-governing nation. It was felt that the defence of Canada by the United States would be but the prelude to political absorption, that Canada would become subservient to the United States in the same sense as Cuba.

This danger will certainly be present in the post-war world. If Canada were to neglect her defences to such an extent that a foreign power could easily capture part of Canada and use it as a base from which to attack the United States, then an American attack on Canada would undoubtedly follow. Similarly if Canada were to adopt economic policies, say communism, radically opposed to what the American people or a large part of them conceived to be their interests, then again the Americans might take military action. If Britain or the British Commonwealth pursued an economic policy (such as acquiring a trading monopoly in South America or in China) contrary to American interests, the United States might seize Canada as a hostage either temporarily until the policy were abandoned or permanently to prevent its repetition. Finally, it is conceivable that the United States might exert political or even military pressure on Canada if the Dominion were to take the lead in applying political and military sanctions against an aggressor as part of her obligations toward an international organization of which the United States was not a member. Any one of these situations would place Canada in an embarrassing situation.

On the other hand it must be realized that Canada has successfully faced this precise problem in the past and there is no fundamental reason why we cannot do so in future. Canada can avoid military absorption by the United States by doing two things. First, she will have to assume her full share of the defence of North America. Second, she will have to be sufficiently aware of American sentiment and sufficiently foresighted and skillful in interpreting the attitude of her large neighbour to the other nations of the world that there will never be any irreconcilable conflict in opinion between the United States, the British Commonwealth, and other peace-loving nations of the world. If one fears that this situation will force Canada to dance to the tune of her neighbour one must remember that, fortunately for us, the American tune is not radically different from the one which we would like to play for ourselves. Furthermore, we Canadians can scarcely expect to be immune from danger in Asia and in Europe without acquiring some problems arising from the fact that we are a North American nation. Finally, we may rest assured that whatever territorial ambitions the United States may have had at one time have long since disappeared at least as far as Canada is concerned. If the United States ever attacks Canada it will be because we provoke her into such aggression either by neglecting our defences or by adopting policies at home or abroad which are completely irreconcilable with

what Americans consider to be their fundamental interests. In other words we can prevent political absorption by the United States at a price—a price which, let us hope, will always be less than obsequiousness to Washington or default of our moral obligation to the Commonwealth and the world community.

Assuming that Canada will neither break away from the British Commonwealth nor be politically swallowed up by the United States, what will be the trade relations of Canada and her southern neighbour in the post-war world? Needless to say, they will continue to be intimate, perhaps more so than before, due to the synchronization of the two economies in war-time. Whether the existing high tariffs will be reduced is a more difficult matter to appraise. On the one hand there is the clear declaration in the Atlantic Charter that trade throughout the world must be on a freer basis than in the past. This may mean merely that this clause is to be imposed on the vanquished and will not apply between the victors themselves. Nevertheless, this clause in the Charter will be effectively quoted by low tariff supporters in the victorious nations when they consider their own policy toward the rest of the world.

This section of the Charter seems to be based on the premise that reasonably free access to the raw materials and markets of the world is essential to the maintenance of world peace. This thesis is debatable but in so far as it has validity the Canadian people will probably be prepared to go some distance toward bringing it into effect. Our interest in peace is as great as that of any nation. To be sure, as the Abyssinian crisis showed, we have been reluctant in the past to assume the risk of being drawn into a minor war in order to forestall a major struggle. The same charge could with equal validity be levied against any of the democracies during the 1918-39 truce. At all events we realize that peace makes it easier for us to maintain unity at home and avoid the perplexities which arise because of our dual position as a North American and a British nation. We do not fear devastation of our property as much as dislocation of our political security at home and abroad. If tariff reductions are essential to maintain peace, it will be a modest price to pay.

Another factor affecting our attitude toward the tariff is that many thousands of Canadian consumers believe that the prices of many goods made in Canada or imported from abroad are too high in comparison with prices in the United States and that the tariff is

chiefly responsible for the difference. This attitude is particularly strong in the Maritimes and west of the Great Lakes. The people in these regions feel that the tariff has unduly benefited the manufacturers and workers in the St. Lawrence Valley at the expense of consumers elsewhere in Canada. This feeling is not being allayed by the heavy concentration of industry in the Valley as a result of the war.

In the Maritimes, Prairies, and British Columbia, producers as well as consumers are conscious of Canada's need for lower tariffs. They hope that other countries will follow her lead and thus open markets for the raw materials and semi-manufactured goods which the Maritimes and the West produce. Even in Ontario and Quebec the influence of the export industries may make itself felt in lower tariffs. Canada will emerge from the war with a tremendously overbuilt industry. Our capacity to produce manufactured goods, once the plants are converted to peace-time needs, will be far beyond the ability of the Canadian market to absorb and new outlets must be diligently sought abroad. Manufacturers may be willing to accept a reduction in the Canadian tariff in return for larger markets abroad due to tariff concessions wrested from these foreign countries. This feeling would have been particularly strong if manufacturers had constructed the factories at their own expense. In this case they would probably try to get some return on their capital investment by selling abroad even though this involved the sacrifice of some of their own protection in the Canadian market. Yet, notwithstanding the fact that plants have been built chiefly out of public funds, the urge to concede something at home in order to get a good deal abroad may be present.

At the same time one must not overlook the fact that other countries besides Canada will be in the same position as this country in respect to overbuilt plants. These countries may have lower manufacturing costs than Canada and may be prepared to extend credits more liberally to foreign purchasers on the basis of either straight business or permanent lend-lease or mutual aid. Should competition in foreign markets become too keen the Canadian manufacturer may prefer to have a highly protected market at home instead of accepting lower domestic tariffs and taking his chance at besting the producers of other countries in distant markets.

Moreover, the fact that one or more foreign countries may raise their own tariff against Canadian goods may create the demand in Canada for a retaliatory tariff of the same or a higher amount. Thus another cycle of increasingly obstructive tariffs may

be generated. Allied with this is the fact that in recent years tariff changes are less commonly unilateral, that is, instigated by one country without previous negotiation with her customers and suppliers, and more frequently bilateral or even multi-lateral. Unless other countries are of the same mind as Canada and at the same time, our tariff is not likely to come down. Indeed, one of the reasons for the existing high tariff between Canada and the United States is that, with one or two exceptions, when the traditionally low tariff party was in power in the one country the party of the opposite tariff heritage was in control in the other. Of course in neither Canada nor in the United States is there much practical difference between the policies of the two main parties. Nevertheless, a radical reduction in tariffs would be difficult to justify to the rank and file of a party which had consistently preached the virtues of high protection.

Probably the most intractable difficulty in securing any significant tariff reductions will be the attitude of vested interests. Canadian manufacturers and railways may organize and finance the opposition to lower tariffs as they did the anti-reciprocity campaign of 1911. There seems, however, to be a growing feeling among the financial groups that the Canadian policy of high tariffs has gone too far and that moderate reductions are now in order. The lack of anything more than nominal opposition to the Canadian-American trade agreements of 1935 and 1939 seems to support this view. Nevertheless there will likely be marked disagreement between the manufacturers on the one hand and the consumers and farmers on the other as to how far this reduction ought to go.

In the United States opposition to lower tariffs with Canada is likely to be strongest among the farmers of the Middle West, the fishermen of New England and the lumbermen of the Northwest. The American system of government permits a determined minority to adopt obstructionist tactics with a greater likelihood of success than in Canada. Among the manufacturers and the American public generally, there is a tendency to take Canada for granted. Whatever interest the typical American has in foreign trade is concentrated on South America. The basis of this interest is more largely strategic and sentimental than economic. Canada normally purchases more goods from the United States than all Latin-America put together. Nevertheless the United States is less conscious of us than she is of the countries south of the Rio Grande. Consequently we are less able to appeal to the emotions of Americans than the "amigos".





The basic factor in the tariff relations of the two countries will undoubtedly be the kind of world order which will be established after victory. It is unreasonable to expect, however, that statesmen will be able to discover a solvent for all the world's ills. Each country will have to deal in its own way with its own peculiar problems. For Canada this means finding an international policy which is not inconsistent with her position in North America and in the Commonwealth. It also means devising a tariff policy which will serve her own interests and this in turn involves our trade relations with the United States. Our task is complicated by increasingly complex inter-relationships of our trade and defence as a result of the present war. Fortunately it is simplified by the long tradition of peaceful solution of disputes between the two nations. It is made easier by the fact that the United States will not attack Canada unless she feels that our activity or lack of activity constitutes a threat to her own cherished institutions. Post-war Canadian-American trade relations will be facilitated too by the fundamental similarity of views on the kind of international world we want. Opinion differs only on the methods to be used to bring these ideals to fruition.

TOURISM AND CANADA

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THE encouragement of tourism (tourist trade) in Canada will be an important item on any agenda for adequately planning and developing the dominion. There are two important ways in which the development of tourism can help round out an economic programme for Canada. First, the development of scenic resources for the use of tourists is an aspect of a full employment public works programme that has an excellent possibility of paying for itself in tangible returns. Second, the development of the tourist trade will enable Canada to maintain a favourable position as an exporter.

The most vital domestic planning problem in the entire economic field is the maintenance of full employment for employables and the prevention of mass unemployment. Almost all the programmes so far discussed in Canada, the United States, or Great Britain, consider the improvement of public works and resources as a basic element. These programmes do not neglect the recreational use of land as important and many areas will be zoned exclusively for this function. Most areas, however, will actually be multi-use areas, in which recreational use will co-exist with other functions. It is often difficult for administrators of governmental and private investment programmes of public works and resource development to balance the various elements of land use to achieve the greatest good. For example: can stream pollution by factory wastes be balanced against fresh water fishing by sportsmen? Which use has the higher priority: the use of the stream as a sewer, or as a home of fish and wildlife? Is there a compromise possible? It is difficult to act as a judge on what is the best use of a resource, especially when several possible uses may be involved. The study of proper use of land will call for the highest abilities of the best investigators in the natural sciences and the social studies. Scenic improvement or preservation will be a part of road building; a hydro-electric development will also serve, if possible, as a planned recreational unit; the wishes of one group or individual must be fitted into the wishes of



others. Surprisingly enough, this can often be done without conflict since some uses are complimentary, not competitive.

A likely effect of the efforts of business and government to achieve a full employment goal in Canada and the United States will be a general lessening in the number of working hours in the work week. The average worker will have more leisure available for recreation and travel, and more important, the money with which to travel. The resident of Canada and the United States will be able to make greater use of the abundant recreational resources of the continent.

Canada's economic position is closely related to her role as an exporter. About four-fifths of Canada's present export business is in the category of special abnormal wartime and probably temporary trade. The remaining one-fifth is in the category of normal and permanent trade and it is on this one-fifth that Canada must rebuild the export trade. Tourism is one of Canada's most important export businesses. The money spent by non-Canadians in Canada enters the balance sheet as proceeds from export. "Scenery" may not sound like an exportable commodity but as far as foreign trade is concerned it fulfills the same function. Inasmuch as Canada has always depended in large measure for her prosperity on exportable commodities, it is clear that all elements of normal and permanent trade, including tourism, must be studied and broadened wherever possible. Ontario, for example, because of its scenic resources and location, is well fitted to encourage tourism to the benefit of both Canada's foreign trade and Ontario's economic development.

How many people are potential customers of Ontario's recreational resources? There are 97.1 million persons who live and work within 24 hours train travel from the boundaries of the province. Other modes of travel such as the airplane affect the time factor measurably. 41.4 million of these persons live in states adjoining Ontario, with an additional 7.8 million in Ontario and adjoining provinces. From the educational and social standpoint the best customers of Ontario's recreational resources will be the 3.8 million residents of the province itself.

A permanent land army will likely be established in many parts of Canada to take care of and maintain the resources of the public domain. The career of "conservator" will offer many attractions to the demobilized man or woman who wants to train himself for a professional career in the care and utilization of the country's resources.

A long range but flexible programme of resource maintenance and development will be planned. The land army will be increased in size during times of economic stress when private industry cannot adequately employ all who must work. It is essential that the plans be ready to take up the slack when private employment falls below safe levels. Only a long range programme can do this.

Multi-purpose objectives of planning and development of Canada's resources will include the recreational use of land as an important function. Different phases of the problem will have different development objectives.

A. Undeveloped areas. The tourist, in fact all unqualified persons, will be dissuaded from entering the undeveloped areas. Adequate study and considerable planning will precede the opening up of an area. The tourist will be encouraged to stay in the more accessible parts of Canada. On the other hand, scientists, prospectors, and industrial researchers capable of increasing the store of knowledge of the undeveloped areas will be encouraged to conduct their investigations. The dominion and provincial governments likely will conduct a long range systematized programme of investigations and studies.

B. Wilderness areas. Many tracts of Canada's area will be developed for multi-purpose use. Waterways, roadways, and special tracts can be zoned for the preservation of scenic values in the same areas where mining, lumbering, and agriculture are practiced. For example, there is nothing incompatible between *planned* forestry and scenic preservation of wilderness environment. Reaching a proper balance between private exploitation and public development of resources is a difficult task already on its way to solution in Canada.

C. Tourist facilities. There will be a great expansion in the development of tourist facilities. It is in this phase of the total programme that provincial study can be of greatest help and benefit to private enterprise. Hotels, lodges, cabins, boats, camping equipment, and transportation facilities will be needed properly to care for the numbers of people who will regularly visit Canada in the future. Many successful enterprises are already in operation and it is from the owners and businessmen already in the field that most of the expansion will come. However, many men and women now in the armed forces are considering the tourist trade as a profession. The province can be of greatest assistance to private enterprise by properly maintaining the scenic values of the province, by keeping recreational values in mind when



planning roads and other economic developments, by assisting in the solving of problems relating to the tourist trade, and by maintaining a strong and well rounded publicity programme of wide coverage.

D. Special sites and areas. Many areas of special significance have been successfully developed; others will be added to the list. Some of the proposed areas need merely to be maintained in their present condition; others need to be restored from their present state of depletion and neglect. Special sites should be selected for social and historical reasons as well as scenic. In the more settled parts of Canada, municipalities and other government units will establish town forests, greenbelts, recreational zones and parks, and landscaped highways. Wherever possible the dominion and provinces should encourage local governmental bodies to undertake projects of recreational value, but every effort should be made to fit local plans into province-wide objectives.

E. Trailways. Educators are searching for ways in which the formal training of the young may be enriched. Proper facilities for allowing school children to enjoy and study their environment are provided by such projects as the "trailway". Overnight camps can be built at convenient distances along selected trails. Groups of children, under the guidance of trained teachers, will hike, cycle, or ride along the trailways. The overnight stations will be close enough together to require only a few hours on the trail with the remainder of the time devoted to study and enjoyment of the educational and recreational resources of the station site. The average child has all or almost all of his formal training indoors and little or no instruction under guidance in an outdoor environment. A system of trailways would not compete with but would be incorporated in the existing school system.

The dominion and provincial governments can best assist in the development of the valuable recreational resources of Canada by serving as a co-ordinating centre of research and analysis of the basic problems of recreational land use, by remembering that the tourist trade is a major industry and should be respected as such, and by searching for ways in which an orderly development of private and public interests can be encouraged.

SHOULD ORGANIZED LABOUR IN CANADA CO-OPERATE CLOSELY WITH ORGANIZED LABOUR IN THE UNITED STATES?

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DISCUSSING the pros and cons of whether organized labour in Canada should co-operate closely with organized labour in the United States partakes, under present conditions, of the nature of armchair philosophizing. Anyone who has followed carefully the proceedings of the two labour congresses which have just been held, the Canadian Congress of Labour at Quebec City and the Trades and Labour Congress at Toronto, has had ample demonstration that Canadian organized labour is wholeheartedly in favour of co-operating closely not only with the organized workers of the United States, but with the organized workers of Latin America and of Europe and of Asia, and with all people everywhere who are sincerely interested in building the world of security, peace, freedom, and real opportunity, that workers have always been striving for through their organizations.

This attitude is by no means new. Labour has its own long and vigorous international tradition. Next year will, in fact, mark the hundredth anniversary of the founding in England of the Society of Fraternal Democrats, the first of the international organizations of working people which have had an almost continuous history ever since.

Today in Canada, as in all other free countries, the chief concerns of trade union members are speedy victory and after that is won the assurance of jobs, peace, and the opportunity for free and effective organization to raise living standards everywhere. With a world depression still vividly in their minds and a world war waging around them, they realize very clearly that to achieve even these modest aims it will be necessary to have close co-operation between the organized workers, and all the other progressively-minded people, of all countries. These are world problems: they cannot be solved through local negotiations, or the philosophy of a minute off the day and a penny on the pay, or even by the labour movements of each individual country acting



separately. Conditions are forcing the organized labour movement, even against the inclinations of some of its spokesmen, to take a strong stand for the fullest possible world co-operation.

The Canadian labour movement, in the spirit of the labour pioneers, is taking up that challenge. The evidence is clear in the applause which at Quebec City greeted every reference to Franklin D. Roosevelt, in the ovation which Vincente Toledano, fraternal delegate from the Confederation of Latin American Workers, received at Toronto, and in the resolutions on international relations and on world labour unity acclaimed at both Congresses.

Representatives of 600,000 or more Canadian workers meeting at these conventions approved Canadian support for Mutual Aid and UNRRA and Canadian participation in the International Labour Conference, urged early action for a long-term pact between Canada and the Soviet Union to carry wartime co-operation on into the peace, and enthusiastically approved the plans for calling in the very near future the World Labour Conference which was originally planned for last June. From the rapid increase in membership reported by the unions affiliated with these two labour Congresses during the war, and particularly during the past year, there is good reason to believe that these policies are approved by Canadian workers as a whole.

But even though it is obvious that Canadian trade unions need to co-operate with unions in other countries and that they are quite willing to do so, the relations between them and the unions in the United States do raise some special problems. It is perhaps strange to find the dominant section of the labour movement of one country not merely working closely with the trade unions of a neighbouring country, but actually organized in the same way and in the same unions. It may be possible to marshall an impressive array of objections to this form of organization, but the facts remain that it developed to meet definite needs of the workers in both countries, that it is here with us now, and that there is no indication that it is likely to change.

The American form of trade union organization came to Canada with the beginning of the railway and industrial era at the close of the American Civil War, and it has been with us ever since. It came to Central Canada along with American workers, American industrial methods, and American capital. As American methods and American capital have penetrated the raw material industries of the east and west coasts the indigenous Canadian unions which had grown up there on a

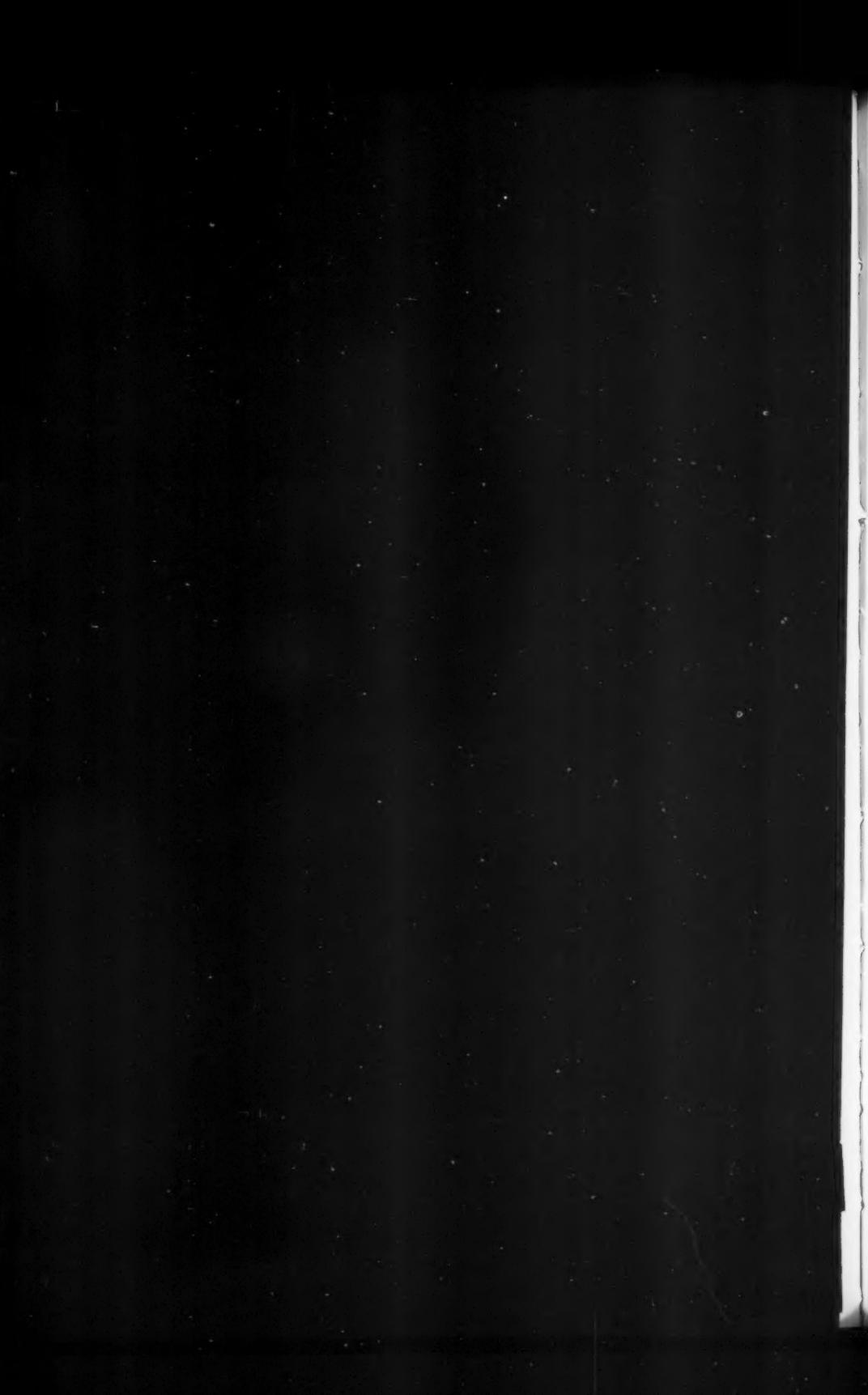
local scale have generally been absorbed into the international unions with members both in the United States and Canada.

For the individual worker membership in an international union holds two obvious advantages: access to a broader market for his labours because his membership card gives him rights in any town on either side of the border, (this was especially important in the early days when there was considerable migration of workers), and access to a larger fund for support when disputes arise. But the real reason for the popularity of the American unions lies deeper still, in the whole economic relationship between the United States and Canada. With two nations growing side by side along similar lines it was inevitable that the less-developed nation would be strongly influenced by the nation which was already more industrially advanced. As long as important sections of the basic Canadian industries retain close ties with parent companies across the border Canadian workers are inclined to feel that any objection to their own ties with American workers coming from industrial sources are distinctly out of place.

Ever since the turn of the century about two out of every three reported union members in Canada have at all times belonged to the international section of the Canadian labour movement, while the remaining members have been split into a bewildering variety of separate groups. The most recent figures from the Department of Labour show this same relationship today. At the end of 1941 about 63 per cent. of the reported union members belonged to international unions affiliated with the American Federation of Labour, the Congress of Industrial Organizations, or the four big Railway Brotherhoods. The following year the proportion was higher still—about 66 per cent.—and the end of 1943 would probably show a further rise.

These figures apply only to the strictly "international unions" with membership in the same union on both sides of the border. Among the remaining third of the reported union members there are undoubtedly many more belonging to unions which are not at all opposed to the idea of international unionism but which for one reason or another are not at the present moment in a position to affiliate directly to an international body. Taking the figures for the end of 1942, for example, total union membership in Canada was reported to be 578,380. Of this total 382,130 (66 per cent.) belonged to international unions, and 196,250 to unions with no international ties.

Breaking this non-international group down further we find that the Trades and Labour Congress had 14,823 members in Canada-wide



unions and 11,729 in local unions to which it had given direct charters. This whole group can be considered at least sympathetic to international unionism: some of these unions have no international ties because they have no counterparts in the United States at the moment among the A.F. of L. unions, others are made up of civil servants, and still others are too widely scattered to have established direct contacts with an international union.

In the Canadian Congress of Labour at the end of 1942 there were 26,220 members in national unions and 38,090 in unions with local charters. The C.C.L. national union group includes the unions which have upheld the idea of a Canadian unionism distinct from the international unions, and the key union of this group, the Canadian Brotherhood of Railway Employees, is the only important survivor of unions which grew up independently in Canada to meet local conditions before the international organizations reached the areas where they were operating. A large part of the membership of the C.C.L. local unions as listed in 1942 was in the shipyard locals which have grown very rapidly during the war and which, operating in a very confused industry, have been too engrossed in working out some kind of regional and national co-ordination of their own efforts to pay much attention to international ties.

A large part of the membership in the non-international groups comes from the Canadian and Catholic Confederation of Labour which reported 54,556 members at the end of 1942. Since this organization operates only in Quebec and only among French-speaking Catholic workers its scope is limited, and it has little prospect of becoming the base for a strong national union centre in Canada.

The remaining 50,732 unionists not in international unions were widely scattered and much divided among themselves. The largest group, affiliates of the Canadian Federation of Labour with a reported 11,068 members, are considered by the main labour organizations in the country to be so closely associated with employer policies that they are not genuine labour organizations at all. The One Big Union, with its 8,410 members in Winnipeg, has ceased to be anything but a small, sectional group. Another 18,032 members were divided between eleven national unions, each operating completely independently, some of them seeking an appropriate affiliation with one of the major congresses, some of them associations of civil servants, and some of very doubtful labour status. The remaining 13,380 union members were divided between 81 independent local organizations.

In theory perhaps Canadian labour has a choice between the present system and setting up a strong, central labour body for Canada composed of unions independent of direct ties with the United States unions. But in practice that is not the issue. From the figures given above it is evident that there is no strong Canadian union body which could serve as a rallying ground for such a programme. Moreover the international unions are, in fact, growing in strength, and are likely to continue to do so.

The real issue is, instead, how far the Canadian locals of the international unions and the national unions working along with them can go in establishing a strong, central labour body in Canada made up in large part of local unions with direct international affiliations but able to unite and co-ordinate their forces to conduct large-scale organizing campaigns among the unorganized workers, to carry on effective political action in local, provincial and national affairs, and to make their voice heard in the world councils of labour as well as those of the labour movement in the United States.

This has always been a difficult question, and the movement for autonomy for the Canadian locals has a long history. It has, of course, at most times, but particularly today, been complicated by the sharp splits in the labour movement in the United States. The Trades and Labour Congress of Canada, which was founded in 1886, developed spontaneously as the next step after the local unions organized into local councils for each area. In its origin it was not tied to any one section of the labour movement in the United States, and for a number of years local unions affiliated with American Federation of Labour unions and local unions affiliated with the Knights of Labour were both represented.

Relations with the American Federation of Labour were not worked out clearly until the Trades and Labour Congress convention in 1902. At that time the delegates did have a choice between making the Congress the legislative arm of the American Federation of Labour in Canada or adopting the suggestion proposed the previous year by Ralph Smith, the Congress President, that "A federation of American unions represented by a national union and a Federation of Canadian unions represented by a national union, each working with the other in special cases, would be a great advantage over having local unions in Canada connected with the national unions of America." They chose to make it the legislative arm of the American Federation of Labour, and that

decision settled once and for all the general pattern of Canadian labour co-operation with the United States labour movement.

Looking back it is not difficult to see the motives which prompted the delegates to accept this decision: the labour movement in both countries was weak, the wave of mass organization which found expression in the Knights of Labour had receded in the United States and was receding in Canada, the American Federation of Labour was the only union body which showed signs of being able to survive the anti-union drive of the big employers in the industrial east, and the combination of distance and sectional differences made it very unlikely that the Canadian locals from coast to coast could get together into a strong central body.

The agreement with the American Federation of Labour in 1902 went part way in recognizing the autonomy of the Trades and Labour Congress in Canadian affairs. The Congress insisted from the first that it was in a very different position from a State Federation of Labour. It retained the right to issue charters to local unions, and by implication to national unions so long as they did not conflict with the jurisdiction of any of the American Federation of Labour international unions. It also established its claim to issue the effective charter to the local trades councils in the different cities, although the councils could also hold A.F. of L. charters if they wished. On the other hand the Congress accepted the position of the A.F. of L. that no unions competing with the A.F. of L. internationals should be recognized, and so committed itself to following the A.F. of L. lead on jurisdictional disputes. The Congress became an organization to bring together the Canadian branches of the international unions affiliated with the A.F. of L., and also local or national unions in industries where there was no jurisdictional conflict with these international unions, so they could make their needs on legislation known to the governments in Canada.

Unions in those days were not thinking as they are today in terms of broad political action movements involving the whole membership and interested in every aspect of community organization. Nor were they at that moment thinking of large-scale organization campaigns among the unorganized. There has always been in the Congress an undercurrent of demand for greater Canadian autonomy. At times when conditions have been favourable for large-scale organization or extensive social changes, times like the end of the last war and today, the restrictions imposed by this long-standing agreement with the A.F. of L. have been given a searching scrutiny, and there have been

serious efforts made to establish a strong union centre in Canada which would not only present legislative programmes to the governments but would carry on an active organizing campaign and mobilize public opinion for better social conditions. At one point, the end of the last war, the forces which had been pressing for a more active policy within the Congress took the drastic step of splitting away and forming a new body, the One Big Union. Its failure convinced Canadian labour leaders and workers alike that the job must essentially be done within the framework already existing.

On more than one occasion the Trades and Labour Congress has taken a stand different from the American Federation of Labour, a stand which, it is a pleasure to say, has been consistently more progressive and more in the long-run interests of the labour movement. Three outstanding examples are perhaps enough: when the C.I.O. unions were expelled from the A.F. of L. in the United States the Trades and Labour Congress in Canada maintained labour unity here for more than a year while it made every effort to bring the two groups together again; while the A.F. of L. has frequently been unco-operative about taking part in world conferences unless it was given exclusive recognition as the representative of American labour the Trades and Labour Congress has always taken an active part in every kind of world co-operation plan; while the A.F. of L. has been very unwilling to accept the Soviet Trade unions into any world meeting of labour the Trades and Labour Congress has taken a leading part in urging a World Labour Conference including the Soviet trade unions.

Disputes over jurisdiction and organizational methods never seem to have gone as deep in Canada as in the United States. But they have without doubt put the biggest strain on the established policy of international unionism in Canada. The big test came with the sharp division between A.F. of L. and C.I.O. in the United States in 1938. The Canadian unions in the Trades and Labour Congress tried their utmost to avoid a similar split in Canada and to mediate in the United States, but at last they had run up against an issue on which they could not enforce a distinct policy for Canada without a revision of the long-standing agreement with the A.F. of L. and a new definition of the functions of the Trades and Labour Congress. This was a new experience for which the Congress was not completely prepared, and in the end it bowed, though unwillingly, to the demands of the A.F. of L. Executive Council.

Without that split the Trades and Labour Congress would certainly today be well on the way to being a live rallying centre for an over-

whelming section of Canadian labour on all issues. As it is now, we have two important labour centres in Canada, each including a large proportion of unions with affiliations in the United States, and progress towards a strong and unified central body for Canada raises not one problem but two. Most important is a new definition of autonomy for Canadian unions which will open the way for organizational campaigns on a large scale, for concerted effort in political action and for centralization of educational and publicity work in order to provide the material on Canadian conditions which every Canadian union needs and which they cannot hope to provide individually. But we also have the additional problem of jurisdictional disputes, and it will not be an easy matter to work out a machinery for Canada which can include both A.F. of L. and C.I.O. affiliates as long as they remain sharply divided in the United States. Both the Canadian Congress of Labour and the Trades and Labour Congress at their recent conventions have taken this question up seriously and have authorized their officers to meet very shortly to try to work out some basis for labour unity in Canada.

The inter-relations between Canadian and United States labour are so very complex that in a single article it is hardly possible to do more than single out some of the highlights. From the discussion so far it seems clear that there are at the moment, and have been throughout most of Canadian labour history, two apparently contradictory trends. On the one hand Canadian labour has accepted a certain form of organization through local unions which are part of international trade unions with membership both in the United States and Canada. That is true in both the important labour congresses in Canada, and there is no sign in any union that the Canadian membership have any desire to separate themselves from their international ties.

But on the other hand there is, both in the congresses and in a great many individual unions, a distinct desire for more autonomy to work out and follow a more co-ordinated policy in Canada. In some cases there is dissatisfaction with the policies of the international and a feeling that the Canadian locals would like to be able, without breaking their international affiliation, to speak with a united voice and in more progressive terms especially on world labour affairs. This is especially true in the A.F. of L. unions, few of which have a distinct Canadian organization with regular and frequent conferences of Canadian delegates. But even the unions which have a Canadian regional organization with considerable autonomy and which have no quarrels with the

policies of their international have a problem of securing sufficient Canadian materials to do an effective job of organization and education, and would find it greatly to their advantage to have centralized education, research and publicity services of this kind available for the use of all Canadian unions.

The trend towards much greater government participation in economic affairs also raises the issue of political action in a much more acute form than in the past. If organized labour is going to take its rightful place in this new kind of economy it must, of course, have representation on all the important government boards, and it must take an active part in the education of the public and the mobilization of public opinion on every kind of community issue, local, provincial, and federal. The need for an effective central organization, with parallel local machinery for local action, able to speak for all Canadian workers is becoming greater all the time. This has always been one of the arguments for a purely Canadian union movement, and it is certainly an argument today for a stronger and more autonomous labour movement in Canada.

But on the other hand the main issues of domestic and foreign policy today are the same in all progressive countries. The labour movement in Canada may have been restricted in the past by the A.F. of L. policy of keeping out of politics, but it has certainly gained greatly through the labour-supported policies of the Roosevelt administration, and it can learn a great deal about effective labour influence on public affairs from the Political Action Committees of the C.I.O. So even in the field of influencing governments and public opinion the real issue is not whether strictly Canadian unions would be more effective than international unions, but whether, leaving the international affiliations of the locals as they are, we can work out a more effective co-ordination of their work in Canada along similar lines to the most progressive labour policies in the United States.

Organized labour in Canada today does not need to decide whether it should co-operate closely with the unions of the United States. That issue is already settled. What it does need to do, and what the recent conventions of the labour congresses show that it is doing, is to decide what are the basic long-run interests of workers in Canada, the United States, and all other countries. Having decided that, and noted who are the people and groups in favour of those policies, the next step is to work out an effective machinery through which Canadian labour as a whole can co-operate to see that those long-run policies have a chance to live and grow.

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